Successfully Implementing Green Finance at Financial Institutions in China
Green Finance in China

Green finance is becoming a key component of the efforts to develop an efficient and resilient economy in China. The country’s innovative and ambitious approach aims to improve national environmental performance and encourage the growth of green industries for the future. IPC’s green finance approach establishes a solid foundation to support this transition process.

Our green finance approach allows banks to create additional value in their business operations while reducing their negative environmental impact. Through their lending activities, banks play a strong role in shaping the natural environment by deciding which industries and types of investment will receive financial support. At the same time, financial institutions themselves also create an environmental footprint through their own resource consumption. As a result, banks need to systematically mitigate the impacts caused both directly by their daily operations and indirectly by their lending activities.

Clean energy investment in China was a record USD 110.5 billion in 2015

The annual total cost of air and water pollution is equivalent to 6% of China’s GDP

"Greening of the economy requires a massive amount of investment in the green sectors. According to our estimates, in the coming five years, China will need to invest at least RMB 2 trillion (USD 320 billion) per year in green sectors in order to meet the environmental targets announced by the Ministry of Environment. Fiscal resources, however, can cover no more than 15% of these investments. Therefore it is crucial that the financial system will play the role of channelling and incentivising private capital into the green sectors."

Dr. Ma Jun, Chief Economist at the People’s Bank of China (PBC) Research Bureau

FYP13 has a strong focus on the environment, with targets and measures addressing climate change and air pollution, among others.

Green finance guidelines have been published by:
CBRC, PBOC and NDRC
- Green Credit Guidelines
- Energy Efficiency Credit Guidelines
- Green Bond Endorsed Project Catalogue
- Key Performance Indicators of Green Credit Implementation
- Energy Efficiency and Environmentally Friendly Projects and Services Categorisation Tool / Green Credit Statistics Form

The government’s commitment is reflected in its INDC pledge to reduce CO₂ emissions by 60-65% per unit of GDP by 2030.
How Green Finance Benefits Your Bank

Capture new markets
Investment demand for green finance in China amounts to USD 320 billion per year. Despite the local and national government focus on green projects and industries, banks have yet to fully explore the market potential. Institutions that take an active role in green finance today will be better able to identify the most suitable clients and, by offering specialised financial services, will become the preferred funding partner for tomorrow’s promising clients.

Improve portfolio quality
By using the IPC risk categorisation model to individually assess and classify environmental, health and safety performance, banks are able to identify clients and sectors whose social and environmental indicators may translate into credit, reputational, and legal risks for the bank. Such information can then be taken into consideration during the overall credit assessment of the client. Furthermore, an analysis of banks engaging in green finance has shown that green portfolios consistently display comparatively high levels of quality.

Increase resource efficiency and save costs
IPC’s Environmental Management System (EMS) platform is designed to monitor resource consumption at all outlets and branches, allowing institutions to identify the specific causes of resource inefficiency and help in the implementation of targeted measures to reduce costs and improve environmental performance. Introducing internal environmental management can thus help banks to achieve a sustainable reduction in operating costs through increases in energy, process and resource efficiency.

Become a leader in green finance reform
The 2015 Energy Efficiency Credit Guidelines, 2014 Key Performance Indicators of Green Credit Implementation, and 2013 Energy Efficiency and Environmentally Friendly Projects and Services Categorisation Tool, as well as other regulations issued by the CBRC and PBOC, provide a clear regulatory mandate for banks to review, manage, and report on the environmental impact of their portfolios. Due to the complexity of complying with national directives, banks need to have systematic, dedicated tools which document the environmental risk and/or benefit of each loan, effectively mitigating the risks of non-compliance.

Enhance your profile with customers and employees
Successful green finance operations underscore a financial institution’s role in local and international markets as an environmentally friendly, socially responsible and reliable bank. Growing environmental concern and noticeable climate changes make it increasingly important for organisations to demonstrate sound internal environmental performance. More critically, banks must manage the environmental impact of their products and services with the highest degree of diligence. Engaging in green finance clearly marks a bank as a responsible and innovative financial institution, shaping the bank’s reputation and image among staff, clients and the general population.
Implementing Green Finance successfully

Successful implementation of green finance necessitates a variety of capacities and tools anchored in the organisation. IPC’s approach to green finance captures this complexity and simplifies it by sub-dividing the implementation of green finance at banks into manageable, sequential project steps.

Managing your Environmental Performance

Outcomes:

- Trained staff
- Internal campaigns
- Awareness raising marketing materials (infographics, animations, posters)
- Environmental performance baseline and reporting
- Monitoring of environmental data
- Annual environmental plan
- Use of IPC’s EMS platform (IT based)
- EMS procedures
- Tailored staff training
- “Green branch” design (including EE/RE measures)
- Improved resource consumption performance for selected branches
- Showcase branches
- Marketing strategy
- Environmental policy
- Certification plan
- Annual Global Reporting Initiative (GRI) reporting
- ISO 14001, GB/T 24001 (or other recognised standard)

Increasing internal awareness

A critical part of increasing resource efficiency is the behaviour of the people that use these resources. Raising the awareness of staff through internal promotional tools and training will therefore lead to resource efficient behaviour.

Establishing an EMS

IPC’s EMS platform enables banks to identify and constantly monitor environmental performance, thus facilitating effective planning of measures to reduce operating costs and increase efficiency.

Creating showcase “green branches”

To demonstrate the impact of improving energy performance, a select number of branches can be used to show the bank’s commitment to environmental protection. A combination of energy efficiency and renewable energy measures are implemented to create at least one showcase “green branch”.

Achieving national / international recognition

To gain further credibility and achieve sustainability, IPC supports banks in achieving certification by external parties under national or international frameworks, e.g. the globally recognised and well-known ISO 14001 standard or the identical Chinese standard GB/T 24001.

Learning trips and management training

Green finance management training

Dedicated modules for implementing green finance in your institution, such as:
- Environmental & social risk management
- Internal EMS auditor training
- Renewable energy project finance, and more
Introducing Green Lending and E&S Risk Management

Mapping green lending and E&S risk
Determining the potential for green finance requires an in-depth study of the market: What is the demand and supply situation? Who are the competitors? What are the characteristics of risky clients? The in-depth market study and technical audits thus define the potential for green finance and identify target client groups.

Introducing green lending
Tailored green financial services are designed and introduced in the institution to support client investments in energy efficiency, renewable energies or other environmentally friendly measures and projects. Eligibility of investments is easily determined by trained staff using a positive list. IPC’s reporting tool simplifies tracking of the environmental impact of the bank’s green portfolio.

Managing potential E&S risks
Using IPC’s risk categorisation model, the bank will be able to more easily manage and classify client business processes according to their environmental impact. High E&S risk loans can be priced differently, thus creating incentives to use environmental best practices.

Developing the green business portfolio
A well-conceived marketing and promotional strategy ensures that current and potential clients are made aware of how green loans make their businesses more sustainable and competitive. By using various promotional channels (e.g. green lending showcases, energy audits for clients), IPC also creates new business opportunities for the bank.

Outcomes:
• Detailed market study
• Analytical energy audits
• Competitor analysis
• Identification of high E&S risk client groups
• Identification of potential green clients and investments

• Policies and procedures
• Positive list of eligible investments (IT based)
• Target group-oriented product development
• Specific staff training
• Reporting tool for green indicators

• Policies and procedures
• Exclusion list
• Risk categorisation model
• iESAF platform (IT based)
• Sector-specific guidance notes
• Highly trained staff

• Marketing & promotional strategy (initiatives and materials)
• Portfolio growth
• Green lending showcases
• Promotional energy audits
• On-the-job training and coaching

Learning trip at various financial institutions
Learning from practical experience at selected leading green finance banks
• On-the-job coaching of technical experts
• Field trips to green project sites
• Knowledge sharing with green finance bank management, and more
IPC - the Right Partner for Implementing Green Finance

Longstanding international expertise
Over the course of the past 30 years, we have continually developed innovative approaches and successfully implemented them in numerous projects worldwide. Against this background, our company has, over time, developed expertise in various fields of banking, including risk management, portfolio quality management, credit control, internal audit, retail banking, human resources development, green finance and, in particular, lending to urban, rural and agricultural small and medium-sized enterprises.

Extensive experience in China
Our longstanding experience at Chinese banks and in green finance project implementation make IPC an ideal partner to support the introduction of green finance services and to implement a professional and effective environmental management system at your bank. Our proven green finance concept is based on an integrated and long-term approach that addresses all areas of your institution, and targets the improvement of your bank’s external and internal efficiency. The aim of all our green finance advisory projects is to ensure green portfolio growth, avoid risks, reduce operating costs and optimise your environmental performance.

Operating since 1980
IPC projects implemented worldwide
Our subsidiary in China
IPC - Internationale Projekt Consult (Beijing) GmbH
located in: Beijing Hangzhou

>850 projects in >90 countries
Knowledge transfer and tailored training
Institutional development means change – and change always starts with people. Therefore, capacity building on all institutional levels forms the core of all of our projects. Organisational development and environmental management, IT support, training and skills development are all central to our approach.
In the context of implementing green finance, we support partner banks with tailored training:
• various types of staff training (multiplier, on-the-job, classroom, etc.)
• high-level green finance training for management
• tailored courses at our Chinese training academy
• educational field trips to successful green finance banks

IPC’s tools and software solutions
Our green finance approach is complemented by well-designed IT tools, supporting banks in:
• easily identifying eligible green finance investments reporting on green portfolio indicators (e.g. CO₂ emissions reductions and energy savings)
• conducting a meaningful analysis of the economic activities of your clients by assessing, classifying and reporting E&S risks (iESAF platform)
• On an internal basis, collecting, analysing and reporting your energy and resource-relevant data (IPC’s EMS platform).

Our spectrum of in-house expertise:
Banking and finance
Energy efficiency and renewable energy
Environmental & social risks
EMS certification
Marketing and communications
Capacity-building and training
Energy auditing
IT and software development

IPC’s involvement in green finance projects
8 years

Number of green finance projects implemented
~80 projects in > 30 countries